What is Good Service?

Integrated Report 2025

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Contents/Editorial policy

Editorial policy

We edited this first Integrated Report with the aim of gaining the understanding of TOCALO Group by investors and many other stakeholders.

Reporting period

April 01, 2024 – March 31, 2025

Note: Also includes some content from outside of this period.

Organizations reported

TOCALO Co., Ltd. and consolidated subsidiaries in Japan and overseas
(As at March 31, 2025)

Note: Where the scope falls outside the above descriptions, it is specified.

Reference guidelines

- International Integrated Reporting Framework of the International Financial Reporting Standards Foundation
- GRI Sustainability Reporting Standards of the Global Reporting Initiative (GRI), etc.

Caution regarding future forecasts

Of the business forecasts, plans, and strategies, etc. published in this report, forecasts of future business results represent management's judgments based on information available as at March 31, 2025, and include certain risks and uncertainties. We therefore ask that you refrain from making investment decisions based solely upon these results forecasts.

Integrated Report 2025 key points

1. President and CEO's comment on future prospects

pp. 9–12

Reflecting on the main initiatives of the medium-term management plan, now in its final fiscal year, consideration of the next medium-term management plan, and achievement of our 2030 Vision of "Contributing to a bright future for people and nature." We also introduce the President and CEO's belief that each employee's practice of good service contributes to a bright future.

2. Visualization of TOCALO's strengths

pp. 4, 5, 13–16, 21–24

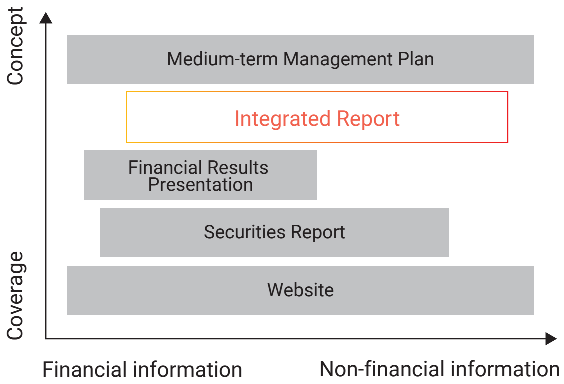
We use diagrams to clearly explain TOCALO's unique technologies and competitive advantages. We also conduct a many-faceted probe into boosting our strengths and sustainable growth strategies through a round-table discussion between our two senior managing executive officers, appointed in June 2025, and our executive officers responsible for development, production, sales, and plants.

3. Material issues and employee comments

pp. 25–42

We introduce the material issues in our ESG management policies interspersed with employee comments. Regarding TOCALO's sustainability management, we introduce our initiatives from the front-line perspective.

Positioning of this report



Part 1

Value creation story

Corporate philosophy structure

Corporate motto

Corporate philosophy

TOCALO values the words of its corporate motto, “Technologies and Ideas,” “Youth and Passion,” and “Harmony and Reliability” in order to maintain good relations with all relevant stakeholders as a leading company of surface treatment technology. We make every effort to contribute to sustainable society with its environmentally friendly products. We also strive to achieve solid business and good performance to remain a trustworthy company.

TOCALO’s strengths and fields for their application

Core technologies

TOCALO
surface modification technology

Thermal spraying technology
Plasma spraying
High velocity oxy-fuel (HVOF) spraying
Wire flame spraying
Super Diffusion Coating
etc.

Other surface modification technologies
ZAC
TD
PTA
etc.

Strong cooperative structure of production, sales, engineering / quality management, and administration divisions

- Development of advanced functional coatings
- Flexible production capability
- Proposal of optimal solutions to customers

Strong financial status for development investment

Enhancing fields of contribution and solutions in a wide range of global areas

Environmental and energy
→Power generation, storage and fuel facilities

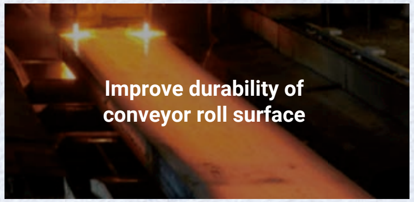
- Iron & steel — Iron and steel manufacturers
- Semicon-ductor & FPD — Production equipment manufacturers
- Industrial machinery — Industrial machinery manufacturers

Value offered
- Maintaining and improving quality
- Enhancement of strength and durability
- Stable operation
- Catering to expansion of production
- Reduction of environmental impact
- High functionality and miniaturization

Surface modification technologies that impart various functionalities

We are a process manufacturer with world-class technological capabilities and achievements in the field of surface modification, particularly for our thermal spraying technology. Our thermal spraying technology and highly developed coating technology use chemical reactions and physical phenomena, enabling us to offer solutions for various customer needs.

Examples of order-made surface processing services



Examples of TOCALO’s strengths and business model (Semiconductor & FPD)

Providing order-made surface processing services as a technology partner

Strong cooperative structure of production, sales, engineering / quality management, and administration divisions

Development of advanced functional coatings

Flexible production capability

Proposal of optimal solutions to customers

- Implementation of laboratory testing
- Joint development etc.

TOCALO **takes** customers’ products to its plants for **processing**

Sales engineers share customer issues within the company **to provide the best solutions**

Customers

Makers of semiconductor manufacturing equipment (SME)

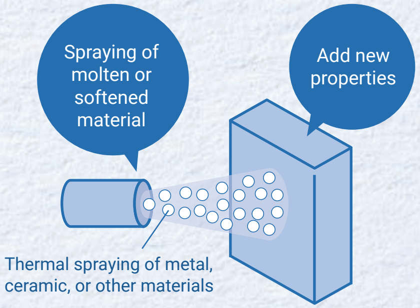
Semiconductor manufacturers

Semiconductor market

- Electronic equipment
- Electric vehicles
- Industrial robots
- Communications equipment
- Data centers
- Medical equipment
- Aircraft and aerospace
- Smart appliances

etc.

Surface modification through thermal spray



Effect provided by surface modification

Effect obtained by surface modification processing of a portion of products and equipment

- Improved product functionality
- Improved operating rate of equipment
- Longer lifespan, reduced maintenance costs
- Improved productivity
- Improved environmental performance and reduction of environmental impact etc.

Our story of value creation

Growth in the iron and steel field

Orders increased for thermal spray of machinery parts. Thereafter, our business took off with the repair and life extension of facilities in the rolling and wire drawing fields. Later, we expanded into other fields in addition to iron and steel.

Labor saving

Growth in the industrial machinery field

Applications for thermal spraying technology rapidly expanded, and we tackled the aircraft, pulp and paper, high-speed rail, automobile, and other industries.

Reducing environmental impact

Growth in the energy field

Use of thermal spray is increasing in fields attracting attention as future environmental technologies, such as in high-capacity energy storage facilities and hydraulic turbines.

1980s
Implemented various surface modification processes in succession, focusing on thermal spray

1990s
Established the Thermal Spraying Technology R&D Laboratories to boost our R&D capabilities. In 1996, we listed stock on the over-the-counter market

2000s
Entry into the semiconductor field boosted results. In 2005 we were listed on Section 1 of the Tokyo Stock Exchange

2010s
Began operations in China, Thailand, USA, and Indonesia, adapting to the needs of each region

2020s
Moved to the Prime Market of the Tokyo Stock Exchange. Accelerated efforts aimed at sustainability

2030s
Aiming to develop as a company striving for continued growth

2030 vision

Contributing to a bright future for people and nature

Paper pulp industry

Expanded application of our surface modification technologies, particularly thermal spray, to paper manufacturing plants for dryer rolls and other paper roll types.

Resource conservation

Growth in the semiconductor field

The steadfast efforts of our sales, manufacturing, and R&D teams met with success, as we entered the semiconductor and FPD fields. Although we began work in the semiconductor field from scratch, it later grew to become the company's largest growth driver.

Aircraft industry

Obtained accreditation under National Aerospace and Defense Contractors (Nadcap), a global program for specialized processes. TOCALO achieved entry into aircraft industry by obtaining this high level certification, held by very few companies in Japan.

Sophistication

Expansion into new business fields

Applications are advancing in a range of fields, including abrasion reduction in agricultural machinery parts, and enhancement of chemical resistance and prevention of blood adhesion for medical equipment.

Value creation process

Reflux of created value to strengthening of capital

INPUT (targets and KPIs for boosting capital investment) | **OUTPUT** (targets and KPIs for boosting capital investment) | **OUTCOME** (created value)

Value creation goals

Value creation goals	Capital	KPIs
Secure flexible production capabilities	Manufacturing capital	Group sites: **37** plants and offices in **6** countries; Capital investment **5,000** million yen
Focus on advanced coating development capabilities	Intellectual capital	Ratio of development spending to sales **4.5**% (**2,400** million yen); No. of patents owned (non-consolidated) **274**; No. of patent applications (non-consolidated) Over **32**
Boost investment in human resource development	Human capital	Group employees: **1,516** (as at end of fiscal 2024); Educational spending per employee (non-consolidated) **66,000** yen; Ratio of female full-time employees (non-consolidated) **12.5**%; Ratio of female managers (non-consolidated) **3.9**%
Strengthen solution proposal capability for customers	Social & related capital	Consolidated group: **6** companies (as at end of fiscal 2024); Financial value of orders received in environmental field (non-consolidated) **9.1** billion yen; Ratio of overseas sales Over **30.1**%
Reduce volumes of GHG emissions, water consumption, and industrial waste emissions	Natural capital	Greenhouse gas emissions (non-consolidated) **7,147** t-CO_2; Ratio of waste recycled (non-consolidated) **62.3**%
Maintain strong financial capital to support growth investment	Financial capital	Sales **54.2** billion yen; Ordinary income **12.5** billion yen; ROE **13.9**%

With our "all-weather" management model tailored to diverse customers, we provide order-made surface modification processing solutions

TOCALO

Surface modification technologies

- Thermal spraying technology
- Other surface modification technologies

- Maintaining high quality/ stable operations
- Responding to production expansion (stable supply)
- Handling high functionality and miniaturization for semicon-ductors, etc.
- Enhanced strength and durability for parts and equipment
- Longer lifespan that reduces environmental impact

Boosting customer value by providing surface modification processing services focusing on thermal spray of customers' parts and equipment

2030 Vision

Contributing to a bright future for people and nature

- Safe and secure society
- Healthy and long-living society
- Digitized society
- Society where anyone can play an active role
- Decarbonized society